

WAYNE COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2008

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WAYNE COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education		
(Before September 2007 Election)		
Douglas Downs	President	2007
Bill Homann	Vice-President	2008
David Foster	Board Member	2008
Darrell Clark	Board Member	2009
Melissa Niday	Board Member	2009
Board of Education		
(After September 2007 Election)		
Bill Homann	President	2008
Darrell Clark	Vice-President	2009
Dave Foster	Board Member	2008
Melissa Niday	Board Member	2009
Diane Kelly	Board Member	2010
School Officials		
Robert Busch	Superintendent	2008
Denise Larson	District Secretary/Treasurer	
Sue Seitz	Attorney	2008
Alan Wilson	Attorney	2008

STEPHANIE MENDENHALL CPA, P.C.
217 Broad Street
P.O. Box 220
Humeston, Iowa 50123
641/877-6021

Independent Auditor's Report

To the Board of Education of
Wayne Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne Community School District, Corydon, Iowa, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Wayne Community School District at June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated November 21, 2008, on my consideration of Wayne Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 3 through 9 and 32 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Wayne Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2007 (which are not presented herein) and expressed an unqualified opinion on those financial statements. Other supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

November 21, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

Wayne Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2008. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2008 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,269,585 in fiscal 2007 to \$5,609,244 in fiscal 2008, while General Fund expenditures increased from \$5,692,278 in fiscal 2007 to \$5,741,864 in fiscal 2008. The District's General Fund balance decreased from \$555,594 in fiscal 2007 to \$417,784 in fiscal 2008, a 25% decrease. The General Fund balance has decreased \$558,863 or 57% over a two year period.
- General Fund expenditures increased \$49,586 or .9%. Even with emphasis on reduced spending and additional revenue, the District funded their operation from the carryover fund balance.
- A decrease in interest rates and investable balance during the past year resulted in interest earnings in the General Fund decreasing from \$83,119 in fiscal 2007 to \$50,420 in fiscal 2008.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Wayne Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Wayne Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Wayne Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-1 below provides a summary of the District's net assets at June 30, 2008 compared to June 30, 2007.

Figure 1								
Condensed Statement of Net Assets								
(Expressed in Thousands)								
	Governmental Activities		Business Type Activities		Total District		Total Change	
	June 30,		June 30,		June 30,		June 30,	
	2008	2007	2008	2007	2008	2007	2007-2008	
Current and other assets	\$ 5,622,452	5,358,652	45,758	23,567	5,668,210	5,382,219	5.31%	
Capital assests	3,891,858	4,025,233	28,549	35,723	3,920,407	4,060,956	-3.46%	
Total assets	9,514,310	9,383,885	74,307	59,290	9,588,617	9,443,175	1.54%	
Long-term liabilities	898,314	1,304,750	-	-	898,314	1,304,750	-31.15%	
Other liabilities	4,600,552	4,107,067	25,131	20,711	4,625,683	4,127,778	12.06%	
Total liabilities	5,498,866	5,411,817	25,131	20,711	5,523,997	5,432,528	1.68%	
Net assets:								
Invested in capital assets,								
net of related debt	2,792,290	2,720,483	28,549	35,723	2,820,839	2,756,206	2.34%	
Restricted	844,388	587,056	-	-	844,388	587,056	43.83%	
Unrestricted	378,766	664,529	20,627	2,856	399,393	667,385	-40.16%	
Total net assets	4,015,444	3,972,068	49,176	38,579	4,064,620	4,010,647	1.35%	

The District's combined net assets increased by 1%, or approximately \$54,000, over the prior year. The largest portion of the District's net assets is the invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt. The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$257,000 or 44% over the prior year. The increase was primarily a result of reduced spending in the Local Option Sales Tax.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements - decreased approximately \$268,000 or 40%. This reduction in unrestricted net assets was a result of the District using carryover fund balances to meet its financial obligations during the year.

Figure A-2 shows the change in net assets for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-2									
Changes in Net Assets									
(Expressed in Thousands)									
			Governmental Activities		Business Type Activities		Total District		Total Change
			2008	2007	2008	2007	2008	2007	2007-2008
Revenues:									
Program revenues:									
Charges for service			\$ 332,497	374,313	123,242	107,741	455,739	482,054	-5.46%
Operating grants, contributions and restricted interest			1,219,822	1,083,766	168,201	168,653	1,388,023	1,252,419	10.83%
General revenues:									
Property tax			2,006,727	2,104,389	-	-	2,006,727	2,104,389	-4.64%
Local option sales and service tax			329,786	325,712	-	-	329,786	325,712	1.25%
Unrestricted state grants			2,393,083	2,159,642	-	-	2,393,083	2,159,642	10.81%
Other			143,636	113,267	602	1,005	144,238	114,272	26.22%
Transfers			(29,495)	(5,735)	29,495	5,735	-	-	-
Total revenues			6,396,056	6,155,354	321,540	283,134	6,717,596	6,438,488	4.33%
Program expenses:									
Governmental activities:									
Instructional			4,322,965	4,043,795	-	-	4,322,965	4,043,795	6.90%
Support services			1,731,787	1,636,246	-	-	1,731,787	1,636,246	5.84%
Non-instructional programs			-	-	310,943	295,754	310,943	295,754	5.14%
Other expenses			297,928	322,624	-	-	297,928	322,624	-7.65%
Total expenses			6,352,680	6,002,665	310,943	295,754	6,663,623	6,298,419	5.80%
Change in net assets			43,376	152,689	10,597	(12,620)	53,973	140,069	-61.47%

In fiscal 2008, property tax and unrestricted state grants account for 69% of the revenue from governmental activities while charges for service and operating grants and contributed account for 99% of the revenue from business type activities.

The District's total revenues were approximately \$6,718 million of which \$6,396 million was for governmental activities and \$322,000 was for business type activities.

As shown in Figure A-2 the District as a whole experienced a 4.3% increase in revenues and a 5.80% increase in spending. Increases in operating grants and state grants offset a decrease in property taxes. The increase in expenses are due to negotiated salary and benefits.

Governmental Activities

Revenues for governmental activities were \$6,396,056 and expenses were \$6,352,680 for the year ended June 30, 2008.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses for the year ended June 30, 2008 compared to the year ended June 30, 2007.

Figure A-3							
Total and Net Cost of Governmental Activities							
(Expressed in Thousands)							
Total Cost of Services				Net Cost of Services			
			Change				Change
	2008	2007	2007-2008		2008	2007	2007-2008
Instruction	\$4,322,965	4,043,795	6.90%		2,961,400	2,768,853	6.95%
Support services	1,731,787	1,636,246	5.84%		1,731,787	1,636,246	5.84%
Other expenses	297,928	322,624	-7.65%		107,174	139,487	-23.17%
Total	6,352,680.0	6,002,665	5.83%		4,800,361	4,544,586	5.63%

- The cost financed by users of the District's programs was \$332,497.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,219,822.
- The net cost of governmental activities was financed with \$2,336,513 in property and other taxes and \$2,393,083 in unrestricted state grants.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2008 were \$292,045, representing a 6% increase over the prior year, while expenses totaled \$310,943 a 5% increase over the prior year. The District's Business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for services, federal and state reimbursements and investment income.

During the year ended June 30, 2008, the District maintained meal prices. There was a decline in the number of students qualifying for free and reduced priced meals.

INDIVIDUAL FUND ANALYSIS

As previously noted, Wayne Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,239,837 above last year's ending fund balances of \$1,138,050. The primary reason for the increase in combined fund balance is due to decreased expenditures in the Capital Projects Fund. A proposed renovation project that will be paid from the Capital Projects Fund did not start until after June 30, 2008.

Governmental Fund Highlights

- The District's General Fund financial position is the result of many factors. There was an emphasis to cut spending in all areas other than salaries and benefits. This resulted in expenditures exceeding revenues by approximately \$138,000. This is down from a \$421,000 spending deficit for fiscal 2007.
- The Capital Projects Fund (LOST) balance increased from approximately \$193,000 in fiscal 2007 to \$467,000 in fiscal 2008. A renovation project did not get started until after June 30, 2008. The estimated cost of the project is \$310,000.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$38,579 at June 30, 2007 to \$49,176 at June 30, 2008, representing an increase of approximately 27%. The increase is due to a transfer of \$29,495 in June 2008 from the General Fund to the Nutrition Fund for the calculated salary and benefits of the Nutrition director. The Nutrition Fund has experienced an operating loss of approximately \$19,000 for both the 2007 and 2008 fiscal years. Fewer students participated in the free and reduced price meal program and operating costs increased.

BUDGETARY HIGHLIGHTS

The District's receipts were \$274,044 more than budgeted receipts. The most significant variance resulted from the District receiving more in tuition and other local revenue and state aid than originally anticipated.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2008, the District had invested \$3,920 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-4) This represents a net decrease of 3.4% from last year. More detailed information about the District's capital assets presented in Note 5 to the financial statements. Depreciation expense for the year was \$282,400.

The original cost of the District's capital assets was \$11.5 million. Governmental funds account for \$11.3 million, with the remainder of \$.2 million accounted for in the Proprietary, School Nutrition Fund.

Figure A-4									
Capital Assets, Net of Depreciation									
(Expressed in Thousands)									
			Governmental		Business Type		Total		Total
			Activities		Activities		District		Change
			June 30,		June 30,		June 30,		June 30,
			2008	2007	2008	2007	2008	2007	2007-2008
Land			\$ 22,500	22,500	-	-	22,500	22,500	-
Construction in progress			-	349,653	-	-	-	349,653	-
Buildings			3,399,337	3,153,357	-	-	3,399,337	3,153,357	7.80%
Land improvements			30,664	34,999	-	-	30,664	34,999	-12.39%
Machinery and equipment			439,357	464,724	28,549	35,723	467,906	500,447	-6.50%
Total			3,891,858	4,025,233	28,549	35,723	3,920,407	4,060,956	-3.46%

Long-Term Debt

At June 30, 2008, the District had \$1,113,633 in general obligation and other long-term debt obligations outstanding. This represents a decrease of approximately 14.65% from last year.

			Figure A-5		
			Outstanding Long-Term Obligations		
			Total		Total
			School District		Change
			June 30,		June 30,
			2008	2007	2007-08
General obligation bonds			\$ 1,095,000	1,295,000	-15.44%
Loan			1,950	9,750	-80.00%
Early retirement			16,683	-	-
Totals			1,113,633	1,304,750	-14.65%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District's certified enrollment for fiscal year ended June 30, 2008 was overstated by 11 students. The 2008-2009 state financial aid will be reduced from original expectation as a result.
- The number of open enrolled-in students increased by 26. The increase is due primarily to the closing of the Russell Community School District.
- Staff reductions have been made for fiscal year 2009 in an attempt to balance the budget.
- Property tax levies have been increased and the district expects approximately \$117,000 additional revenue.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Larson, District Secretary/Treasurer and Business Manager, Wayne Community School District, Corydon, Iowa 50060.

Basic Financial Statements

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2008

	Governmental Activities	Business type Activities	Total
Assets			
Cash and cash equivalents	\$ 1,649,906	41,017	1,690,923
ISCAP	1,376,719	-	1,376,719
Receivables:			
Property tax:			
Delinquent	52,376	-	52,376
Succeeding year	2,139,876	-	2,139,876
Income tax succeeding year	125,856	-	125,856
Accounts	12,488	-	12,488
ISCAP accrued interest	9,563	-	9,563
Due from other governments	255,668	-	255,668
Inventories	-	4,741	4,741
Capital assets, net of accumulated depreciation	3,891,858	28,549	3,920,407
Total assets	9,514,310	74,307	9,588,617
Liabilities			
Accounts payable	161,737	2,081	163,818
Salaries and benefits payable	557,276	21,133	578,409
Accrued interest payable	2,618	-	2,618
Deferred revenue:			
Other	-	1,917	1,917
Succeeding year property tax	2,139,876	-	2,139,876
Succeeding year income surtax	125,856	-	125,856
ISCAP warrants payable	1,369,000	-	1,369,000
ISCAP accrued interest payable	11,597	-	11,597
ISCAP unamortized premium	15,269	-	15,269
Other	2,004	-	2,004
Long-term liabilities:			
Portion due within one year:			
Bonds payable	205,000	-	205,000
Loan payable	1,950	-	1,950
Early retirement payable	8,342	-	8,342
Portion due after one year:			
Bonds payable	890,000	-	890,000
Early retirement payable	8,341	-	8,341
Total liabilities	5,498,866	25,131	5,523,997
Net assets			
Invested in capital assets, net of related debt	2,792,290	28,549	2,820,839
Restricted for:			
Debt service	52,279	-	52,279
Other	39,018	-	39,018
Management levy	202,876	-	202,876
Other special revenue purposes	54,045	-	54,045
Physical plant and equipment levy	29,186	-	29,186
Capital projects	466,984	-	466,984
Unrestricted	378,766	20,627	399,393
Total net assets	\$ 4,015,444	49,176	4,064,620

See notes to financial statements.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

		Program Revenues		Net (Expense)
		Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities
	Expenses			
Functions/Programs				
Governmental activities:				
Instruction:				
Regular instruction	\$ 4,143,467	332,497	861,340	(2,949,630)
Other instruction	179,498	-	167,728	(11,770)
	<u>4,322,965</u>	<u>332,497</u>	<u>1,029,068</u>	<u>(2,961,400)</u>
Support Service:				
Student services	63,985	-	-	(63,985)
Instructional staff services	128,331	-	-	(128,331)
Administration services	607,193	-	-	(607,193)
Operating and maintenance of plant services	611,663	-	-	(611,663)
Transportation services	320,615	-	-	(320,615)
	<u>1,731,787</u>	<u>-</u>	<u>-</u>	<u>(1,731,787)</u>
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	64,866	-	-	(64,866)
Long-term debt interest	42,308	-	-	(42,308)
AEA flowthrough	190,754	-	190,754	-
	<u>297,928</u>	<u>-</u>	<u>190,754</u>	<u>(107,174)</u>
Total governmental activities	6,352,680	332,497	1,219,822	(4,800,361)
Business type activities:				
Non-instructional programs:				
Nutrition services	310,943	123,242	168,201	-
	<u>310,943</u>	<u>123,242</u>	<u>168,201</u>	<u>-</u>
Total	<u>\$ 6,663,623</u>	<u>455,739</u>	<u>1,388,023</u>	<u>(4,800,361)</u>

[illegible]

Continued from previous page				
General Revenues:				
Totals from pages 20 and 21				
Property tax levied for:				
General purposes				1,724,394
Debt service				240,205
Capital outlay				42,128
Income surtax				5,578
Local option sales and services tax				329,786
Unrestricted intermediate grants				-
Unrestricted state grants				2,393,083
Unrestricted investment earnings				76,244
Other				61,814
Transfers				(29,495)
Total general revenues				4,843,737
Change in net assets				43,376
Net assets beginning of year				3,972,068
Net assets end of year				4,015,444
See notes to financial statements.				

WAYNE COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

	General	Debt Service	Capital Projects
Assets and Other Debits			
Cash and pooled investments	\$ 969,620	46,003	315,610
ISCAP	1,376,719	-	-
Receivables:			
Property tax:			
Current year delinquent	42,971	6,276	-
Succeeding year	1,731,350	242,963	-
Income tax succeeding year	125,856	-	-
Accounts	12,488	-	-
ISCAP accrued interest	9,563	-	-
Due from other governments	104,294	-	151,374
Total assets	4,372,861	295,242	466,984
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	142,725	-	-
Salaries and benefits payable	557,276	-	-
Deferred revenue:			
Grants	-	-	-
Succeeding year property tax	1,731,350	242,963	-
Succeeding year income surtax	125,856	-	-
ISCAP warrants payable	1,369,000	-	-
ISCAP interest payable	11,597	-	-
ISCAP unamortized premium	15,269	-	-
Other	2,004	-	-
Total liabilities	3,955,077	242,963	-
Fund balances:			
Reserved for:			
Debt service	-	52,279	-
Other	39,018	-	-
Unreserved:			
Undesignated			
General	378,766	-	-
Management	-	-	-
Other special revenue purposes	-	-	-
Physical plant and equipment levy	-	-	-
Capital projects	-	-	466,984

Nonmajor Special Revenue	Total
318,673	1,649,906
-	1,376,719
3,129	52,376
165,563	2,139,876
-	125,856
-	12,488
-	9,563
-	255,668
487,365	5,622,452

19,012	161,737
-	557,276
-	-
165,563	2,139,876
-	125,856
-	1,369,000
-	11,597
-	15,269
-	2,004
184,575	4,382,615

-	52,279
-	39,018
-	378,766
219,559	219,559
54,045	54,045
29,186	29,186
-	466,984
302,790	1,239,837
487,365	5,622,452

WAYNE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2008

Total fund balances of governmental funds (pg. 16)	\$ 1,239,837
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***Amounts reported for governmental activities in the
Statement of Net Assets are different because:***

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	3,891,858
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(2,618)
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Long-term liabilities, including bonds payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.	<u>(1,113,633)</u>
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Net assets of governmental activities (pg. 10)	<u><u>\$ 4,015,444</u></u>
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See notes to financial statements.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	General	Debt Service	Capital Projects
Revenues:			
Local sources:			
Local tax	\$ 1,767,361	240,205	329,786
Tuition	314,622	-	-
Other	106,656	4,972	8,708
Intermediate	-		-
State sources	3,018,275	178	
Federal sources	402,330	-	
Total revenues	5,609,244	245,355	338,494
Expenditures:			
Current:			
Instruction:			
Regular instruction	4,083,673	-	-
Other instruction	-	-	-
	4,083,673	-	-
Support services:			
Student services	63,985	-	-
Instructional staff services	128,331	-	-
Administration services	597,093	-	-
Operation and maintenance of plant services	417,916	-	-
Transportation services	260,112	-	-
	1,467,437	-	-
Non-instructional programs	-	-	-
Other expenditures:			
Facilities acquisition	-	-	64,866
Long-term debt:			
Principal	-	207,800	-
Interest and fiscal charges	-	43,262	-
AEA flowthrough	190,754		-
	190,754	251,062	64,866
Total expenditures	5,741,864	251,062	64,866
Excess (deficiency) of revenues over (under) expenditures	(132,620)	(5,707)	273,628
Other financing sources:			
Operating transfers in	24,305	7,800	-
Operating transfers out	(29,495)	-	-
Total other financing sources	(5,190)	7,800	-
Net change in fund balances	(137,810)	2,093	273,628
Fund balances beginning of year	555,594	50,186	193,356
Fund balances end of year	\$ 417,784	52,279	466,984

See notes to financial statements.

Nonmajor Special Revenue	Total
121,846	2,459,198
-	314,622
203,325	323,661
-	-
89	3,018,542
24,305	426,635
349,565	6,542,658

5,511	4,089,184
179,498	179,498
185,009	4,268,682

-	63,985
-	128,331
-	597,093
100,435	518,351
68,140	328,252
168,575	1,636,012

-	-
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-	64,866
-	207,800
-	43,262
-	190,754
-	506,682
353,584	6,411,376

(4,019) 131,282

	32,105
(32,105)	(61,600)
(32,105)	(29,495)

(36,124) 101,787

338,914 1,138,050

302,790 1,239,837

WAYNE COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

Net change in fund balances-total governmental funds (pg. 19) \$ 101,787

***Amounts reported for governmental activities in the
Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Sta

Capital outlays	141,851	
Depreciation expense	<u>(275,226)</u>	(133,375)

Repayment of long-term debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Assets. 207,800

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as t 954

Income surtax accounts receivable is not available to finance expenditures of the current year period in the governmental funds. (117,107)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	<u>(16,683)</u>	
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Change in net assets of governmental activities (pg. 14) \$ 43,376

See notes to financial statements.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2008

	<u>School Nutrition</u>
Assets	
Cash and cash equivalents	\$ 41,017
Inventories	4,741
Capital assets, net of accumulated depreciation	<u>28,549</u>
Total assets	<u>74,307</u>
Liabilities	
Accounts payable	2,081
Salaries and benefits payable	21,133
Deferred revenue	<u>1,917</u>
Total liabilities	<u>25,131</u>
Net Assets	
Invested in capital assets, net of related debt	28,549
Unrestricted	<u>20,627</u>
Total net assets	<u><u>\$ 49,176</u></u>

See notes to financial statements.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year ended June 30, 2008

	<u>School Nutrition</u>
Operating revenues:	
Local sources	
Charges for service	<u>\$ 123,242</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	97,424
Benefits	42,989
Purchased services	9,523
Supplies	153,833
Depreciation	<u>7,174</u>
Total operating expenses	<u>310,943</u>
Operating loss	<u>(187,701)</u>
Non-operating revenues:	
State sources	3,556
Federal sources	164,645
Local sources	<u>602</u>
Total non-operating revenues	<u>168,803</u>
Net loss	(18,898)
Other financing sources:	
Contributed capital from General Fund	<u>29,495</u>
Change in net assets	10,597
Net assets beginning of year	<u>38,579</u>
Net assets end of year	<u><u>\$ 49,176</u></u>

See notes to financial statements.

WAYNE COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year ended June 30, 2008

	<u>School Nutrition</u>
Cash flows from operating activities:	
Cash received from sale of meals	\$ 120,146
Cash received from miscellaneous sources	3,007
Cash payments to employees for services	(136,960)
Cash payments to suppliers for goods or services	(149,900)
Net cash used by operating activities	<u>(163,707)</u>
Cash flows from non-capital financing activities:	
State grants received	3,556
Federal grants received	151,305
Net cash provided by non-capital financing activities	<u>154,861</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	-
Cash flows from investing activities:	
Interest on investments	602
Contributed capital from General Fund	29,495
	<u>30,097</u>
Net increase in cash and cash equivalents	21,251
Cash and cash equivalents at beginning of year	<u>19,766</u>
Cash and cash equivalents at end of year	<u><u>41,017</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	
Adjustments to reconcile operating loss to	
net cash provided (used) by operating activities:	(187,701)
Commodities used	13,340
Depreciation	7,174
Increase in inventory	(940)
Increase in accounts payables	1,055
Increase in salaries & benefits payable	3,453
Decrease in deferred revenue	(88)
Net cash used by operating activities	<u><u>(163,707)</u></u>
Reconciliation of cash and cash equivalents at year end to	
specific assets included on Statement of Net Assets:	
Current assets:	
Cash and investments	<u><u>\$ 41,017</u></u>

Non-cash investing, capital and financing activities:

During the year ended June 30, 2008, the District received federal commodities valued at \$13,340.

See notes to financial statements.

WAYNE COMMUNITY SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

(1) Summary of Significant Accounting Policies

Wayne Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades pre-kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Corydon, Iowa, and the predominate agricultural territory in Wayne and Lucas Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Wayne Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Wayne Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Wayne and Lucas Counties Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvements of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources that are imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest that are restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2006 assessed property valuations; is for the tax accrual period July 1, 2007 through June 30, 2008 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2007.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the Government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 500
Buildings	500
Improvement other than buildings	500
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	500

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	5-20 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax and income surtax receivable that will not be recognized as revenue until the year for which it is levied.

Compensated Absences – District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2008. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2008 expenditures did not exceed budgeted amounts.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2008 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2008, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Diversified Portfolio	<u>\$ 32,431</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint investment Trust were both rated Aaa by Moody's Investors Service.

(3) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2008 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Special Revenue:	
	Physical Plant and Equipment Levy	\$ 7,800
General	Special Revenue:	
	Physical Plant and Equipment Levy	24,305
Nutrition	General	<u>29,495</u>
Total		<u>61,600</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2008 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Investments</u>	<u>Accrued Interest Receivable</u>	<u>Warrants Payable</u>	<u>Accrued Interest Payable</u>
2007-08B	1/23/08	1/23/09	\$ 698,234	9,306	696,000	11,339
2008-09A	6/26/08	6/23/09	678,485	257	673,000	258
Total			<u>1,376,719</u>	<u>9,563</u>	<u>1,369,000</u>	<u>11,597</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2008 is as follows:

<u>Series</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2007-08A	\$ -	675,000	675,000	-
2007-08B	-	280,000	280,000	-
Total	<u>-</u>	<u>955,000</u>	<u>955,000</u>	<u>-</u>

(4) Iowa School Cash Anticipation Program (ISCAP) (continued)

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2007-08B	3.750%	3.451%
2008-09A	3.500%	3.469%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2008 was as follows:

	Balance beginning of year	Increases	Decreases	Balance end of year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 22,500	-	-	22,500
Construction in progress	349,653	-	349,653	-
Total capital assets not being depreciated	372,153	-	349,653	22,500
Capital assets being depreciated:				
Buildings	7,656,470	349,653	-	8,006,123
Improvements other than buildings	263,729	-	-	263,729
Furniture and equipment	2,934,250	141,851	-	3,076,101
Total capital assets being depreciated	10,854,449	491,504	-	11,345,953
Less accumulated depreciation for:				
Buildings	4,503,113	103,673	-	4,606,786
Improvements other than buildings	228,730	4,335	-	233,065
Furniture and equipment	2,469,526	167,218	-	2,636,744
Total accumulated depreciation	7,201,369	275,226	-	7,476,595
Total capital assets being depreciated, net	3,653,080	216,278	-	3,869,358
Governmental activities capital assets, net	4,025,233	216,278	349,653	3,891,858
Business type activities:				
Furniture and equipment	173,725	-	-	173,725
Less accumulated depreciation	138,002	7,174	-	145,176
Business type activities capital assets, net	35,723	(7,174)	-	28,549
Depreciation expense was charged to the following functions:				
Instruction:				
Regular				107,183
Support services:				
Operation and maintenance				115,030
Transportation				53,013
Total depreciation expense - governmental activities				275,226
Business type activities:				
Food service operations				7,174

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
General obligation bonds	\$ 1,295,000	-	200,000	1,095,000	205,000
Loan payable	9,750	-	7,800	1,950	1,950
Early retirement	-	16,683	-	16,683	8,342
	<u>\$ 1,304,750</u>	<u>16,683</u>	<u>207,800</u>	<u>1,113,633</u>	<u>215,292</u>

General Obligation Bonds Payable

Bond Issue of June 1, 1996				
Year Ending June 30,	Interest Rates	Principal	Interest	Total
2009	3.00%	\$ 205,000	37,563	242,563
2010	3.25%	215,000	31,413	246,413
2011	3.50%	220,000	24,425	244,425
2012	3.60%	225,000	16,725	241,725
2013	3.75%	230,000	8,625	238,625
Total		<u>\$ 1,095,000</u>	<u>118,751</u>	<u>1,213,751</u>

Loan Payable

The District entered into a no interest loan agreement with Alliant Energy to replace a boiler. Repayment of this loan will be paid out of the Special Revenue, Physical Plant and Equipment Levy Fund. Details of the District's June 30, 2008, loan indebtedness is as follows:

Year Ending June 30,	Principal
2009	<u>\$1,950</u>

Early Retirement

The District offers a voluntary early retirement plan to employees. Eligible employees must be at least age fifty-five and have been continually employed the District for the last 15 years. Employees must complete an application which is required to be approved by the Board of Education. The District will pay the retiree an incentive based upon the retiree's current salary and years of service to the District. The early retirement incentive will be paid in four semi-annual installments toward a tax deferred compensation plan. Two employees elected to take early retirement benefits totaling \$16,683. The first payments to their deferred compensation plans occurred in July 2008 in an amount totaling \$4,171.

A liability has been recorded in the Statement of Net Assets representing the District's commitment to fund the early retirement incentives.

7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement Systems (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.90% of their annual salary and the District is required to contribute 6.05% of annual payroll. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2008, 2007 and 2006 were \$215,050, \$196,627 and \$178,996 respectively, equal to the required contributions for each year.

(8) Risk Management

Wayne Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$190,754 for the year ended June 30, 2008 and is recorded in the General Fund by making a memorandum adjusting entry to the cash financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

WAYNE COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN BALANCES - BUDGET AND ACTUAL (GAAP BASIS) - ALL GOVERNMENTAL FUNDS
AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2008

	Governmental Funds Actual	Proprietary Fund Actual
Revenues:		
Local sources	\$ 3,097,481	123,844
Intermediate sources	-	-
State sources	3,018,542	3,556
Federal sources	426,635	164,645
Total revenues	<u>6,542,658</u>	<u>292,045</u>
Expenditures:		
Instruction	4,268,682	-
Support services	1,636,012	-
Non-instructional programs	-	310,943
Other expenditures	506,682	-
Total expenditures	<u>6,411,376</u>	<u>310,943</u>
Excess (deficiency) of revenues over (under) expenditures	131,282	(18,898)
Other financing sources (uses)	<u>(29,495)</u>	<u>29,495</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures	101,787	10,597
Balances beginning of year	<u>1,138,050</u>	<u>38,579</u>
Balances end of year	<u><u>\$ 1,239,837</u></u>	<u><u>49,176</u></u>

See accompanying independent auditor's report.

Total Actual	Budgeted Amount Original	Variance Favorable (Unfavorable)
3,221,325	3,058,872	162,453
-	-	-
3,022,098	2,873,787	148,311
591,280	628,000	(36,720)
6,834,703	6,560,659	274,044
4,268,682	4,898,875	630,193
1,636,012	2,439,265	803,253
310,943	356,599	45,656
506,682	852,876	346,194
6,722,319	8,547,615	1,825,296
112,384	(1,986,956)	
-	2,500	
112,384	(1,984,456)	
1,176,629	1,469,553	
1,289,013	(514,903)	

WAYNE COMMUNITY SCHOOL DISTRICT

Notes to Required Supplementary Information – Budgetary Reporting

Year ended June 30, 2008

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the modified accrual basis. Encumbrances are not recognized on the modified accrual basis budget and appropriations lapse at year end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functional areas, not by fund or fund type. These four functional areas are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

WAYNE COMMUNITY SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30,2008

	Special Revenue			Total
	Management Levy	Student Activity	Physical Plant and Equipment Levy	
Assets				
Cash and pooled investments	\$ 222,986	67,547	28,140	318,673
Receivables:				
Property tax:				
Current year delinquent	2,083	-	1,046	3,129
Succeeding year	125,000	-	40,563	165,563
Accrued interest	-	-	-	-
Due from other governments	-	-	-	-
Total assets	350,069	67,547	69,749	487,365
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	5,510	13,502	-	19,012
Deferred revenue:				
Succeeding year property tax	125,000	-	40,563	165,563
Total liabilities	130,510	13,502	40,563	184,575
Fund equity:				
Fund balances:				
Unreserved, undesignated fund balance	219,559	54,045	29,186	302,790
Total liabilities and fund balances	\$ 350,069	67,547	69,749	487,365

See accompanying independent auditor's report.

WAYNE COMMUNITY SCHOOL DISTRICT
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2008

	Management	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 79,718	-	42,128	121,846
Other	34,804	167,728	793	203,325
State sources	59	-	30	89
Federal sources	-	-	24,305	24,305
Total revenues	114,581	167,728	67,256	349,565
Expenditures:				
Current				
Instruction:				
Regular instruction	5,511	-	-	5,511
Other instruction	-	179,498	-	179,498
Support services:				
Administrative support	-	-	-	-
Plant operation	100,435	-	-	100,435
Student transportation	-	-	68,140	68,140
Other expenditures:				
Facilities acquisition	-	-	-	-
Total expenditures	105,946	179,498	68,140	353,584
Excess (deficiency) of revenues over (under) expenditures	8,635	(11,770)	(884)	(4,019)
Other financing sources				
Operating transfers in (out)	-	-	(32,105)	(32,105)
Fund balances beginning of year	210,924	65,815	62,175	338,914
Fund balances at end of year	\$ 219,559	54,045	29,186	302,790

WAYNE COMMUNITY SCHOOL DISTRICT				
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS				
Year ended June 30, 2008				
	Balance			Balance
	Beginning			End
Account	Of Year	Revenues	Expenditures	of Year
Secondary students fund	\$ 3,001	4,257	4,838	2,420
Activity tickets	-	6,757	6,757	-
FFA milk machine	-	-	-	-
Publication/plays fund	1,939	709	993	1,655
HS music fund	512	602	617	497
JR music fund	(1,337)	2,284	2,537	(1,590)
Coaches	-	115	115	-
Cross country	78	429	442	65
Golf	-	1,096	1,096	-
Boys basketball	4,445	4,838	8,025	1,258
Football	2,047	16,942	23,768	(4,779)
Baseball	(3,778)	16,449	16,360	(3,689)
Boys track	1,311	1,600	2,911	-
Wrestling	-	3,285	3,630	(345)
Girls basketball	6,440	4,337	3,591	7,186
Volleyball	675	2,956	3,631	-
Softball	(356)	5,529	4,827	346
Girls track	-	621	621	-
Class - seniors	203	1,143	899	447
Class - juniors	81	5,546	5,627	-
Class - sophomores	-	38	-	38
Class - freshman	-	-	-	-
Alternative school class	164	1,361	1,104	421
Yearbook	6,000	6,080	6,984	5,096
NHS	207	297	504	-
FBLA	552	421	328	645
FFA	1,369	16,259	16,226	1,402
FCCLA	58	255	224	89
At risk student fund	828	2,250	2,977	101
HS student council	5,332	6,724	5,156	6,900
Art club	3,586	5,541	6,116	3,011
FEA club	1,200	241	234	1,207
Spanish club	368	1,203	658	913
HS tech club	536	-	-	536
Cheerleaders	680	4,972	6,133	(481)
HS/JR library club	376	2,409	2,357	428
History club	-	180	50	130
Manufacturing tech	459	87	-	546
Physical education	718	1,493	1,533	678
HS math club	136	169	-	305
Teen leadership	721	-	-	721
JH clubs/organization	5,734	8,290	10,103	3,921
JH student council	624	88	150	562
Elem clubs/organization	13,785	19,864	20,370	13,279
Elem library fund	2,953	7,066	5,143	4,876
Living classroom	2,000	-	-	2,000
Elem sports	-	2,753	1,009	1,744

WAYNE COMMUNITY SCHOOL DISTRICT				
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS				
Year ended June 30, 2008				
	Balance			Balance
	Beginning			End
Account	Of Year	Revenues	Expenditures	of Year
Elem afterschool program	2,168	192	854	1,506
Totals	\$ 65,815	167,728	179,498	54,045
See accompanying independent auditor's report.				

WAYNE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
ALL GOVERNMENTAL FUNDS
FOR THE LAST FOUR YEARS

	Modified Accrual Basis			
	2008	2007	2006	2005
Revenues:				
Local sources:				
Local tax	\$ 2,459,198	2,407,816	2,558,653	2,481,816
Tuition	314,622	331,080	272,337	226,145
Other	323,661	334,553	302,274	217,051
Intermediate sources	-	-	-	-
State sources	3,018,542	2,605,909	2,556,382	2,656,082
Federal sources	426,635	459,477	329,186	392,968
Total	6,542,658	6,138,835	6,018,832	5,974,062
Expenditures:				
Instruction:				
Regular instruction	4,089,184	2,407,415	2,065,878	2,152,571
Special instruction		891,771	722,350	578,603
Other instruction	179,498	787,358	776,339	725,208
Support services:				
Student services	63,985	73,139	114,978	128,081
Instructional staff services	128,331	139,379	157,969	70,438
Administration services	597,093	607,967	583,341	553,910
Operation and maintenance of plant services	518,351	578,212	494,302	437,642
Transportation services	328,252	282,432	341,056	231,389
Other support services	-	-	-	518
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	64,866	403,365	279,757	9,242
Long-term debt:				
Principal	207,800	207,800	202,800	197,800
Interest and other charges	43,262	47,863	51,762	55,563
AEA flowthrough	190,754	183,137	177,505	178,058
Total	\$ 6,411,376	6,609,838	5,968,037	5,319,023

See accompanying independent auditor's report.

WAYNE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Direct:			
Department of Education:			
Rural Education Achievement Program (REAP)	84.358	FY 08	<u>\$ 17,501</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
Food Distribution (non-cash)	10.550	FY 08	<u>13,340</u>
School Nutrition Cluster Programs:			
School Breakfast Program	10.553	FY 08	3,556
National School Lunch Program	10.559	FY 08	145,661
Summer Food Program for Children	10.559	FY 08	<u>5,644</u>
			<u>154,861</u>
Department of Education:			
Iowa Department of Education:			
Title I Grants to Local Educational Agencies	84.010	6854-G	<u>129,228</u>
State Grants For Innovative Programs	84.298	FY 08	<u>1,114</u>
Innovative Education Program Strategies (Title V Program)	84.367	FY 08	<u>31,298</u>
Grants for State Assessments and Related Activities (Title VI A)	84.369	FY 08	<u>4,102</u>
Reading First State Grants	84.357	FY 08	<u>30,000</u>

WAYNE COMMUNITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2008

Grantor/Program	CFDA Number	Grant Number	Program Expenditures
Indirect (continued): Department of Education (continued): Area Education - Grants to State (Part B)	84.027	FY 08	\$ 30,817
Chariton Community School District: Vocational Education - Basic Grants to States	84.048	FY 08	7,309
Improvement of Education - Iowa Demonstration Construction Grant	84.215	FY 08	24,305
Department of Health and Human Services: Rural Outreach	93.912	FY 08	112,971
Total			\$ 556,846

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of the Wayne Community School District and is presented in conformity with the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

STEPHANIE MENDENHALL CPA, P.C.
217 Broad Street
P.O. Box 220
Humeston, Iowa 50123
641/877-6021

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and Other Matters
Based on Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Board of Education of
Wayne Community School District:

I have audited the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Wayne Community School District as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements listed in the table of contents, and issued my report thereon dated November 21, 2008, I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Wayne Community School District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing my opinion on the effectiveness of Wayne Community School District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of Wayne Community School District's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control over financial reporting that I consider to be significant deficiencies and other deficiencies I consider to be material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect Wayne Community School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of Wayne Community School District's financial statements that is more than inconsequential will not be prevented or detected by Wayne Community School District's internal control. I consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by Wayne Community School District's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, I believe item II-A-08 and II-B-08 are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Wayne Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2008 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Wayne Community School District's responses to findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I have expressed my conclusions on the District's responses, I did not audit Wayne Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wayne Community School District and other parties to whom Wayne Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Wayne Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

STEPHANIE MENDENHALL CPA, P.C.
217 Broad Street
P.O. Box 220
Humeston, Iowa 50123
641/877-6021

Independent Auditor's Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Board of Education of
Wayne Community School District

Compliance

I have audited the compliance of Wayne Community School District with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2008. Wayne Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Wayne Community School District's management. My responsibility is to express an opinion on Wayne Community School District's compliance based on my audit.

I conducted my audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Wayne Community School District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on Wayne Community School District's compliance with those requirements.

In my opinion, Wayne Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June, 30, 2008.

Internal Control Over Compliance

The management of Wayne Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing my audit, I considered Wayne Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Wayne Community School District's internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, I identified a deficiency in internal control over compliance that I consider to be a material weakness.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. I consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-08 and to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. I consider that significant deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-8 and to be material weaknesses.

Wayne Community School District's responses to the findings identified in my audit are described in the accompanying Schedule of Findings and Questioned Costs. While I expressed my conclusion on the District's responses, I did not audit Wayne Community School District's responses and, accordingly, I express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Wayne Community School District and other parties to whom Wayne Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

WAYNE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

Part 1: Summary of the Independent Auditor's Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) Significant deficiencies in internal control over financial reporting were disclosed by the audit of the financial statements, including material weaknesses.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.
- (d) Significant deficiencies in internal control over major programs were disclosed by the audit of the financial statements, including material weaknesses.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit did not disclose any audit findings which were required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major program was as follows:
 - Individual:
 - CFDA Number 84.010 - Title I grants to Local Educational agencies
 - Clustered Programs:
 - CFDA Number 10.553 - School Breakfast Program
 - CFDA Number 10.555 - National School Lunch Program
 - CFDA Number 10.559 – Summer Food Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Wayne Community School District did not qualify as a low-risk auditee.

WAYNE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

- II-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

- II-B-08 Purchase Orders – Purchase orders were not prepared for several purchases in all the funds.

Recommendation – Purchase orders should have been prepared. Purchase orders help to insure that there is proper authorization for the purchase, that the prices stated in the purchase order is what is reflected in the final invoice, and the product ordered is the product received.

Response – We will monitor the use of purchase orders more closely in the future.

Conclusion – Response accepted.

Part III: Findings and Questioned Costs for Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were reported.

SIGNIFICANT DEFICIENCIES:

CFDA Number 84.010: Title I grants to Local Educational agencies
U.S. Department of Education
Passed through the Iowa Department of Education

CFDA Number 10.553: School Breakfast Program
CFDA Number 10.555: National School Lunch Program and
CFDA Number 10.559: Summer Food Program for Children
U.S. Department of Agriculture
Passed through the Iowa Department of Education

WAYNE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

- III-A-08 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

Other Findings Related to Statutory Reporting:

- IV-A-08 Certified Budget – Disbursements for the year ended June 30, 2008, did not exceed the certified budget.

- IV-B-08 Questionable Expenditures – No expenditures were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- IV-C-08 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

- 1V-D-08 Business Transactions – Business transactions between the District and District officials are stated as follows:

Heather Fortune, Teacher		
Fortune Construction, spouse	Construction	\$3,000

In accordance with Attorney General opinion dated November 9, 1976 the above transactions with the Board Member's spouse does not appear to present a conflict of interest.

- IV-E-08 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that coverage is adequate for current operations.

- IV-F-08 Board Minutes – I noted no transactions requiring Board approval which had not been approved by the Board.

- IV-G-08 Certified Enrollment – The number of basic resident students reported to the Iowa Department of Education on line 1 of the Certified Enrollment Certification Form for October 2007 was overstated. The District's certified enrollment count overstated resident public students by 11.

- IV-H-08 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

- IV-I-08 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education after the reporting deadline. I noted no significant deficiencies in the amounts reported.

WAYNE COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2008

IV-J-08 Financial Condition - There were several deficit accounts in the Special Revenue, Student Activity fund totaling \$10,884.

Recommendation – The District should implement purchase order approval requirements to insure that there is proper authorization for purchases. The District should also investigate alternatives to eliminate these deficit accounts.

Response – There have been changes in employees and the requirements for purchase orders have been implemented.

Conclusion – Response accepted.

IV-K-08 Student Activity Accounts – The District received a Smiles for Education Grant. It was deposited into the Student Activity Fund and expenditures made from that fund.

Recommendation – The grant was not co-curricular in nature and should have been recorded in the General Fund.

Response – We chose to deposit the money into the Student Activity Fund because we thought it would be easier to monitor the expenditures. In the future these types of grants will be deposited into the General Fund.

Conclusion – Response accepted.

IV-L-08 Nutrition Fund – The nutrition fund operated at deficits of \$19,000 and \$18,000 for the fiscal years ended June 30, 2008 and 2007. \$29,495 was transferred from the General Fund to the Nutrition Fund in June 2008.

Recommendation – The District needs to make changes to generate more revenues and/or decrease expenditures.

Response – Meal prices have been increased for the 2008-2009 school year.

Comment – The increase in meal prices will not be enough to eliminate the operating deficit.